

MELCHER-DALLAS COMMUNITY SCHOOL DISTRICT  
MELCHER-DALLAS, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

Year Ended June 30, 2020

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Melcher-Dallas Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<b>Board of Education</b>		
Shane Ripperger	President	2021
Robert Lepley	Vice-President	2023
Seth Williams	Board Member	2023
Erin Metz	Board Member	2021
Johnny Milburn	Board Member	2021

**School Officials**

Scott Bridges	Superintendent	Indefinite
Deb Haselhuhn	District Secretary/Treasurer and Business Manager	Indefinite
Ahlers Law Firm	Attorney	Indefinite

Melcher-Dallas Community School District



# FALLER, KINCHELOE & CO, PLC

## Certified Public Accountants

### Independent Auditor's Report

To the Board of Education of  
Melcher-Dallas Community School District:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Melcher-Dallas Community School District (District), Melcher-Dallas, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2021 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Faller, Kincheloe & Co., PLC

February 3, 2021

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Melcher-Dallas Community School District (District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2020 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,366,254 in fiscal year 2019 to \$4,169,582 in fiscal year 2020, and General Fund expenditures decreased from \$4,016,041 in fiscal year 2019 to \$3,929,893 in fiscal year 2020. The District's General Fund balance increased from \$1,254,906 at the end of fiscal year 2019 to \$1,502,424 at the end of fiscal year 2020, an increase of approximately 20%.
- The decrease in General Fund revenues was attributable to a decrease in revenues from property taxes. The District lowered its general fund property tax rate from \$17.00136 in fiscal year 2019 to \$12.11197 in fiscal year 2020.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the non-major governmental funds.

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.



- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide services for other District programs and activities. The District currently has one Internal Service Fund, the HRA Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-1 below provides a summary of the District's net assets at June 30, 2020 compared to June 30, 2019.

**Figure A-1**  
**Condensed Statement of Net Position**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Current and other assets	\$ 4,612	4,070	60	71	4,672	4,141	12.8%
Capital assets	3,012	3,088	17	20	3,029	3,108	-2.5%
Total assets	7,624	7,158	77	91	7,701	7,249	6.2%
Deferred outflows of resources	453	564	9	12	462	576	-19.8%
Long-term liabilities	2,231	2,799	53	73	2,284	2,872	-20.5%
Other liabilities	486	457	11	13	497	470	5.7%
Total liabilities	2,717	3,256	64	86	2,781	3,342	-16.8%
Deferred inflows of resources	1,681	1,370	6	2	1,687	1,372	23.0%
Net position:							
Net investment in							
capital assets	2,867	2,793	17	20	2,884	2,813	2.5%
Restricted	1,305	1,095	-	-	1,305	1,095	19.2%
Unrestricted	(493)	(792)	(1)	(5)	(494)	(797)	38.0%
Total net position	\$ 3,679	3,096	16	15	3,695	3,111	18.8%

The District's total net position increased by 18.8%, or approximately \$584,000, from the prior year.

The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$210,000, or 19.2% over the prior year. The increase was primarily a result of increased restricted monies for school infrastructure purposes.

Unrestricted net position – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$303,000, or 38.0%. The negative balance in unrestricted net position was primarily a result of the District's net pension liability and other post-employment benefits liability balance at June 30, 2020.

Figure A-2 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

<b>Figure A-2</b> <b>Changes in Net Position</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2020	2019	2020	2019	2020	2019	2019-2020
Revenues:							
Program revenues:							
Charges for service	\$ 407	488	64	79	471	567	-16.9%
Operating grants, contributions and restricted interest	773	757	86	93	859	850	1.1%
General revenues:							
Property tax	1,252	1,383	-	-	1,252	1,383	-9.5%
Income surtax	32	67	-	-	32	67	-52.2%
Statewide sales, services and use tax	357	341	-	-	357	341	4.7%
Unrestricted state grants	2,062	1,834	-	-	2,062	1,834	12.4%
Unrestricted investment earnings	9	8	-	-	9	8	12.5%
Gain on sale of capital assets	-	1	-	-	-	1	-100.0%
Miscellaneous	27	14	-	-	27	14	92.9%
Total revenues	<u>4,919</u>	<u>4,893</u>	<u>150</u>	<u>172</u>	<u>5,069</u>	<u>5,065</u>	<u>0.1%</u>
Program expenses:							
Instruction	2,873	3,070	-	-	2,873	3,070	-6.4%
Support services	1,202	1,259	-	-	1,202	1,259	-4.5%
Non-instructional programs	-	-	141	186	141	186	-24.2%
Other expenses	269	254	-	-	269	254	5.9%
Total expenses	<u>4,344</u>	<u>4,583</u>	<u>141</u>	<u>186</u>	<u>4,485</u>	<u>4,769</u>	<u>-6.0%</u>
Excess (deficiency) of revenues over (under) expenditures	575	310	9	(14)	584	296	97.3%
Other financing sources, net	<u>8</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Change in net position	583	310	1	(14)	584	296	97.3%
Net position beginning of year	<u>3,096</u>	<u>2,786</u>	<u>15</u>	<u>29</u>	<u>3,111</u>	<u>2,815</u>	<u>10.5%</u>
Net position end of year	<u>\$ 3,679</u>	<u>3,096</u>	<u>16</u>	<u>15</u>	<u>3,695</u>	<u>3,111</u>	<u>18.8%</u>

In fiscal year 2020, property tax and unrestricted state grants accounted for 67.4% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100.0% of business type activities revenue.

The District's total revenues were approximately \$5.1 million, of which approximately \$4.9 million was for governmental activities and approximately \$150,000 was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 0.1% increase in revenues and a 6.0% decrease in expenses. Property tax revenue decreased approximately \$131,000. The decrease in expenses is primarily related to decreases in instruction and support services expenses.

### Governmental Activities

Revenues for governmental activities were \$4,919,047 and expenses were \$4,344,014 for the year ended June 30, 2020. In another difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2020 compared to the year ended June 30, 2019.

<b>Figure A-3</b>						
<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
	Total Cost of Services			Net Cost of Services		
	2020	2019	Change 2019-2020	2020	2019	Change 2019-2020
Instruction	\$ 2,873	3,070	-6.4%	1,869	2,053	-9.0%
Support services	1,202	1,259	-4.5%	1,173	1,172	0.1%
Other expenses	269	254	5.9%	122	114	7.0%
Total	\$ 4,344	4,583	-5.2%	3,164	3,339	-5.2%

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$406,787.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$772,674.
- The net cost of governmental activities was financed with \$1,641,636 in property and other taxes and \$2,062,071 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$149,758 representing a 13.3% decrease under the prior year while expenses totaled \$140,594, a 24.7% decrease under the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,631,307, an increase from last year's ending fund balances of \$2,208,357.

### **Governmental Fund Highlights**

- The District's increasing General Fund financial position is the result of many factors. An increase in unrestricted state grants was the major cause of this increase. The District saw an increase in solvency ratio and unspent balance budget.
- The General Fund balance increased from \$1,254,906 to \$1,502,424. This represents a \$247,518 increase from the previous year. This increase is a result of continuing to watch expenses very carefully.
- The Capital Projects Fund balance increased by \$121,749 from fiscal year 2019 to fiscal year 2020. The District continues to bring in more money into this fund than what it spends from this fund. This would account for the increase in the fund balance from fiscal year 2019 to fiscal year 2020.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Melcher-Dallas Community School District amended its budget one time to reflect additional expenditures associated with cost of technology, computers and administration costs.

The District's total revenues were \$756,162 less than budgeted revenues, a variance of 13.0%. The most significant variance resulted from the District receiving less money from state sources than originally anticipated.

Total expenditures were less than budgeted expenditures. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2020, the District had invested approximately \$3.0 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4). This represents a net decrease of 2.5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$201,973.

The original cost of the District's capital assets was approximately \$6.51 million. Governmental funds account for approximately \$6.43 million, with the remaining approximate \$81,000 accounted for in the Proprietary, School Nutrition Fund.

During the fiscal year the District did some upgrades to its facilities, such as windows and a lighting project, as well as the purchase of a vehicle and other equipment. Fixed asset additions were less than depreciation expense in the year. As a result, the District realized a net decrease in capital assets of 2.5% from last year.

<b>Figure A-4</b> <b>Capital Assets, net of Depreciation</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 14	14	-	-	14	14	0.0%
Buildings	2,048	2,128	-	-	2,048	2,128	-3.8%
Improvements other than buildings	677	643	-	-	677	643	5.3%
Furniture and equipment	273	303	17	20	290	323	-10.2%
Total assets	\$ 3,012	3,088	17	20	3,029	3,108	-2.5%

### Long-Term Debt

At June 30, 2020, the District had \$145,000 in general obligation debt outstanding. This represents a decrease of approximately 50.8% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$6.4 million.

Debt decreased due to the scheduled payment of existing debt.

<b>Figure A-5</b> <b>Outstanding Long-Term Obligations</b> <b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2020	2019	2019-2020
General obligation bonds	\$ 145	295	-50.8%
Total	\$ 145	295	-50.8%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- The District will need to continue to look for ways to cut costs in the coming years to address increases in enrollment and expenses.
- Having a better inventory of equipment and establishing tighter internal regulations on purchases will help prevent unnecessary expenditures.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Superintendent, Melcher-Dallas Community School District, 214 S. Main Street, P.O. Box 489, Melcher-Dallas, Iowa, 50163.

## Basic Financial Statements



## Statement of Net Position

June 30, 2020

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,065,126	53,810	3,118,936
Receivables:			
Property tax:			
Delinquent	27,580	-	27,580
Succeeding year	1,385,936	-	1,385,936
Accounts	14,515	-	14,515
Due from other funds	11,003	-	11,003
Due from other governments	108,407	-	108,407
Inventories	-	6,181	6,181
Capital assets, net of accumulated depreciation	3,011,690	16,998	3,028,688
<b>Total assets</b>	<b>7,624,257</b>	<b>76,989</b>	<b>7,701,246</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	452,824	9,500	462,324
<b>Liabilities</b>			
Accounts payable	9,567	-	9,567
Salaries and benefits payable	436,043	-	436,043
Due to other funds	-	11,003	11,003
Due to other governments	39,643	-	39,643
Accrued interest payable	387	-	387
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	145,000	-	145,000
Portion due after one year:			
Net pension liability	1,768,958	37,115	1,806,073
Total OPEB liability	318,174	15,995	334,169
<b>Total liabilities</b>	<b>2,717,772</b>	<b>64,113</b>	<b>2,781,885</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,385,936	-	1,385,936
Pension related deferred inflows	294,849	6,187	301,036
<b>Total deferred inflows of resources</b>	<b>1,680,785</b>	<b>6,187</b>	<b>1,686,972</b>
<b>Net Position</b>			
Net investment in capital assets	2,866,690	16,998	2,883,688
Restricted for:			
Categorical funding	176,739	-	176,739
Debt service	3,919	-	3,919
Management levy purposes	198,493	-	198,493
Student activities	48,108	-	48,108
School infrastructure	810,013	-	810,013
Physical plant and equipment	67,963	-	67,963
Unrestricted	(493,401)	(809)	(494,210)
<b>Total net position</b>	<b>\$ 3,678,524</b>	<b>16,189</b>	<b>3,694,713</b>

See notes to financial statements.

## Statement of Activities

Year ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
<b>Functions / Programs:</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,750,325	190,082	522,619	-	(1,037,624)	-
Special instruction	515,168	105,855	97,827	-	(311,486)	-
Other instruction	607,446	81,815	5,280	-	(520,351)	-
	<u>2,872,939</u>	<u>377,752</u>	<u>625,726</u>	<u>-</u>	<u>(1,869,461)</u>	<u>-</u>
Support services:						
Student	73,750	-	-	-	(73,750)	-
Instructional staff	148,211	-	-	-	(148,211)	-
Administration	481,056	27,056	-	-	(454,000)	-
Operation and maintenance of plant	299,643	-	-	-	(299,643)	-
Transportation	198,790	1,979	-	-	(196,811)	-
	<u>1,201,450</u>	<u>29,035</u>	<u>-</u>	<u>-</u>	<u>(1,172,415)</u>	<u>-</u>
Non-instructional programs	413	-	-	-	(413)	-
Other expenditures:						
Facilities acquisition	37,098	-	-	-	(37,098)	-
Long-term debt interest	4,108	-	147	-	(3,961)	-
AEA flowthrough	146,801	-	146,801	-	-	-
Depreciation (unallocated)*	81,205	-	-	-	(81,205)	-
	<u>269,212</u>	<u>-</u>	<u>146,948</u>	<u>-</u>	<u>(122,264)</u>	<u>-</u>
Total governmental activities	4,344,014	406,787	772,674	-	(3,164,553)	-
Business type activities:						
Non-instructional programs:						
Food service operations	140,954	64,028	85,552	-	-	8,626
	<u>140,954</u>	<u>64,028</u>	<u>85,552</u>	<u>-</u>	<u>-</u>	<u>8,626</u>
Total	<u>\$ 4,484,968</u>	<u>470,815</u>	<u>858,226</u>	<u>-</u>	<u>(3,164,553)</u>	<u>8,626</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes					\$ 1,073,797	-
Debt service					153,185	-
Capital outlay					25,479	-
Statewide sales, services and use tax					357,230	-
Income surtax					31,945	-
Unrestricted state grants					2,062,071	-
Unrestricted investment earnings					9,214	178
Miscellaneous					26,665	-
Transfers					7,829	(7,829)
					<u>3,747,415</u>	<u>(7,651)</u>
Total general revenues					3,747,415	(7,651)
Change in net position					582,862	975
Net position beginning of year					3,095,662	15,214
Net position end of year					<u>\$ 3,678,524</u>	<u>16,189</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Balance Sheet  
Governmental Funds

June 30, 2020

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 1,924,808	847,292	248,419	3,020,519
Receivables:				
Property tax:				
Delinquent	20,593	561	6,426	27,580
Succeeding year	1,059,466	28,650	297,820	1,385,936
Accounts	12,067	-	2,448	14,515
Due from other funds	11,003	-	-	11,003
Due from other governments	78,284	30,123	-	108,407
<b>Total assets</b>	<b>\$ 3,106,221</b>	<b>906,626</b>	<b>555,113</b>	<b>4,567,960</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 3,181	-	6,386	9,567
Salaries and benefits payable	436,043	-	-	436,043
Due to other governments	39,643	-	-	39,643
Total liabilities	478,867	-	6,386	485,253
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,059,466	28,650	297,820	1,385,936
Other	65,464	-	-	65,464
Total deferred inflows of resources	1,124,930	28,650	297,820	1,451,400
Fund balances:				
Restricted for:				
Categorical funding	176,739	-	-	176,739
Debt service	-	-	4,306	4,306
Management levy purposes	-	-	198,493	198,493
Student activities	-	-	48,108	48,108
School infrastructure	-	810,013	-	810,013
Physical plant and equipment	-	67,963	-	67,963
Unassigned	1,325,685	-	-	1,325,685
Total fund balances	1,502,424	877,976	250,907	2,631,307
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,106,221</b>	<b>906,626</b>	<b>555,113</b>	<b>4,567,960</b>

See notes to financial statements.

Melcher-Dallas Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position

June 30, 2020

**Total fund balances of governmental funds (page 19)** **\$ 2,631,307**

*Amounts reported for governmental activities in the  
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 3,011,690

The Internal Service Fund is used by management to charge the costs of funding the District's insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position. 44,607

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 65,464

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (387)

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflow of resources	\$ 452,824	
Deferred inflow of resources	<u>(294,849)</u>	157,975

Long-term liabilities, including bonds payable, total OPEB liability and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (2,232,132)

**Net position of governmental activities (page 17)** **\$ 3,678,524**

See notes to financial statements.

Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2020

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 998,710	25,418	291,124	1,315,252
Tuition	268,752	-	-	268,752
Other	45,361	2,782	82,548	130,691
State sources	2,737,811	357,291	693	3,095,795
Federal sources	118,948	-	-	118,948
Total revenues	4,169,582	385,491	374,365	4,929,438
Expenditures:				
Current:				
Instruction:				
Regular	1,764,769	29,213	9,503	1,803,485
Special	522,569	-	2,696	525,265
Other	529,015	-	76,978	605,993
	2,816,353	29,213	89,177	2,934,743
Support services:				
Student	80,190	-	527	80,717
Instructional staff	141,538	-	924	142,462
Administration	414,340	74,829	2,231	491,400
Operation and maintenance of plant	202,064	11,975	60,643	274,682
Transportation	128,607	43,300	12,272	184,179
	966,739	130,104	76,597	1,173,440
Non-instructional programs	-	-	413	413
Other expenditures:				
Facilities acquisition	-	104,425	-	104,425
Long-term debt:				
Principal	-	-	150,000	150,000
Interest and fiscal charges	-	-	4,495	4,495
AEA flowthrough	146,801	-	-	146,801
	146,801	104,425	154,495	405,721
Total expenditures	3,929,893	263,742	320,682	4,514,317
Excess of revenues over expenditures	239,689	121,749	53,683	415,121
Other financing sources (uses):				
Transfer in	7,829	-	-	7,829
Total other financing sources (uses)	7,829	-	-	7,829
Change in fund balances	247,518	121,749	53,683	422,950
Fund balances beginning of year	1,254,906	756,227	197,224	2,208,357
Fund balances end of year	\$ 1,502,424	877,976	250,907	2,631,307

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2020

**Net change in fund balances - total governmental funds (page 21)** **\$ 422,950**

***Amounts reported for governmental activities in the  
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were less than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 123,135	
Depreciation expense	<u>(199,285)</u>	(76,150)

Because some revenues will not be collected for several months after the year end, they are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.		(10,391)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		150,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		387
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The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.		223,567
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:

Pension expense	(331,771)	
OPEB expense	<u>224,777</u>	(106,994)

The Internal Service Fund is used by management to charge the costs of funding the District's insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities.

(20,507)

<b>Change in net position of governmental activities (page 18)</b>		<b><u>\$ 582,862</u></b>
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See notes to financial statements.

## Melcher-Dallas Community School District

Exhibit G

Statement of Net Position  
Proprietary Funds

June 30, 2020

	Business Type Activities Nonmajor Enterprise Fund - School Nutrition	Governmental Activities Internal Service - Insurance
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 53,810	44,607
Inventories	6,181	-
Total current assets	59,991	44,607
Noncurrent assets:		
Capital assets, net of accumulated depreciation	16,998	-
Total noncurrent assets	16,998	-
<b>Total assets</b>	76,989	44,607
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	9,500	-
<b>Liabilities</b>		
Current liabilities:		
Due to other funds	11,003	-
Total current liabilities	11,003	-
Noncurrent liabilities:		
Net pension liability	37,115	-
Total OPEB liability	15,995	-
Total noncurrent liabilities	53,110	-
<b>Total liabilities</b>	64,113	-
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	6,187	-
<b>Total deferred inflows of resources</b>	6,187	-
<b>Net Position</b>		
Net investment in capital assets	16,998	-
Unrestricted	(809)	44,607
<b>Total net position</b>	\$ 16,189	44,607

See notes to financial statements.

## Melcher-Dallas Community School District

Exhibit H

Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Funds

Year ended June 30, 2020

	Business Type Activities	Governmental Activities
	Nonmajor Enterprise Fund - School Nutrition	Internal Service - Insurance
Operating revenues:		
Local sources:		
Charges for service	\$ 59,127	-
Miscellaneous	4,901	-
Total operating revenue	<u>64,028</u>	<u>-</u>
Operating expenses:		
Non-instructional programs:		
Salaries	49,262	-
Benefits	7,714	-
Purchased services	436	-
Supplies	80,854	-
Other	-	20,507
Depreciation	2,688	-
Total operating expenses	<u>140,954</u>	<u>20,507</u>
Operating income (loss)	<u>(76,926)</u>	<u>(20,507)</u>
Non-operating revenues:		
State sources	1,959	-
Federal sources	83,593	-
Interest income	178	-
Total non-operating revenues	<u>85,730</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	8,804	(20,507)
Transfers out	<u>(7,829)</u>	<u>-</u>
Change in net position	975	(20,507)
Net position beginning of year	<u>15,214</u>	<u>65,114</u>
Net position end of year	<u>\$ 16,189</u>	<u>44,607</u>

See notes to financial statements.



## Melcher-Dallas Community School District

Exhibit I

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2020

	Business Type Activities Nonmajor Enterprise Fund - School Nutrition	Governmental Activities Internal Service - Insurance
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 59,127	-
Cash received from miscellaneous operating activities	4,901	-
Cash paid to employees for services	(71,103)	-
Cash paid to suppliers for goods and services	(72,051)	(20,507)
Net cash used by operating activities	(79,126)	(20,507)
Cash flows from non-capital financing activities:		
State grants received	1,959	-
Federal grants received	69,885	-
Net cash provided by non-capital financing activities	71,844	-
Cash flows from capital and related financing activities:		
Transfers out	(7,829)	-
Decrease in interfund loans	(540)	-
Net cash used by capital and related financing activities	(8,369)	-
Cash flows from investing activities:		
Interest on investments	178	-
Net increase (decrease) in cash and cash equivalents	(15,473)	(20,507)
Cash and cash equivalents beginning of year	69,283	65,114
Cash and cash equivalents end of year	\$ 53,810	44,607
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (76,926)	(20,507)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	13,708	-
Depreciation	2,688	-
Increase in inventory	(4,469)	-
Decrease in deferred outflows of resources	2,531	-
Decrease in net pension liability	(4,745)	-
Increase in deferred inflows of resources	3,936	-
Decrease in OPEB liability	(15,849)	-
Net cash used by operating activities	\$ (79,126)	(20,507)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2020, the District received \$13,708 of federal commodities.

Melcher-Dallas Community School District

Exhibit J

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2020

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 10,934</u>
<b>Total assets</b>	<u>10,934</u>
<b>Liabilities</b>	<u>-</u>
<b>Net position</b>	
Restricted for scholarships	<u><u>\$ 10,934</u></u>

See notes to financial statements.

Melcher-Dallas Community School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Exhibit K

Year ended June 30, 2020

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 211
Interest income	20
Total additions	<u>231</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>500</u>
Change in net position	(269)
Net position beginning of year	<u>11,203</u>
Net position end of year	<u>\$ 10,934</u>

See notes to financial statements.

Melcher-Dallas Community School District

Notes to Financial Statements

June 30, 2020

(I) **Summary of Significant Accounting Policies**

Melcher-Dallas Community School District (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the City of Melcher-Dallas, Iowa, and the predominate agricultural territory in Marion County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the health reimbursement account (HRA) monies. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For the purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Inventories** - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles:	
School Nutrition Fund	500
Other	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

**Deferred Outflows of Resources** – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

**Salaries and Benefits Payable** - Payroll and related expenditures for teachers and other school personnel with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Compensated Absences** – District employees accumulate a limited amount of earned but unused vacation time; however, the unused amounts are not paid at termination, death or retirement. Consequently, no accrual is made in the financial statements for compensated absences.

**Long-Term Liabilities** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of income surtax, federal grant revenue received in advance, other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and unrecognized items not yet charged to pension expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures did not exceed the amounts budgeted.

#### (2) Cash and Cash Equivalents

The District's deposits in banks at June 30, 2020, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. However, at other times during the year, the District's deposit in banks were not entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.



**Interest rate risk** – The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Due From and Due to Other Funds**

The details of interfund receivables and payables at June 30, 2020 are as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	<u>\$ 11,003</u>

The above due from/to amounts represents loans between funds, and to correct improper recording of transactions.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 13,925	-	-	13,925
Total capital assets not being depreciated	<u>13,925</u>	<u>-</u>	<u>-</u>	<u>13,925</u>
Capital assets being depreciated:				
Buildings	4,063,749	-	-	4,063,749
Improvements other than buildings	942,417	67,328	-	1,009,745
Furniture and equipment	1,285,565	55,807	-	1,341,372
Total capital assets being depreciated	<u>6,291,731</u>	<u>123,135</u>	<u>-</u>	<u>6,414,866</u>
Less accumulated depreciation for:				
Buildings	1,934,914	81,205	-	2,016,119
Improvements other than buildings	299,618	33,215	-	332,833
Furniture and equipment	983,284	84,865	-	1,068,149
Total accumulated depreciation	<u>3,217,816</u>	<u>199,285</u>	<u>-</u>	<u>3,417,101</u>
Total capital assets being depreciated, net	<u>3,073,915</u>	<u>(76,150)</u>	<u>-</u>	<u>2,997,765</u>
Governmental activities capital assets, net	<u>\$ 3,087,840</u>	<u>(76,150)</u>	<u>-</u>	<u>3,011,690</u>
<b>Business type activities:</b>				
Furniture and equipment	81,343	-	-	81,343
Less accumulated depreciation	61,657	2,688	-	64,345
Business type activities capital assets, net	<u>\$ 19,686</u>	<u>(2,688)</u>	<u>-</u>	<u>16,998</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 1,935
Other	18,628

Support services:

Administration	2,580
Operation and maintenance of plant	39,248
Transportation	55,689
	<u>118,080</u>
Unallocated	<u>81,205</u>

Total depreciation expense - governmental activities \$ 199,285

Business type activities:

Food service operations	<u>\$ 2,688</u>
-------------------------	-----------------

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise: School Nutrition	\$ 7,829
	Total	<u>\$ 7,829</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 295,000	-	150,000	145,000	145,000
Net pension liability	1,960,998	-	192,040	1,768,958	-
Total OPEB liability	542,951	-	224,777	318,174	-
Total	<u>\$ 2,798,949</u>	<u>-</u>	<u>566,817</u>	<u>2,232,132</u>	<u>145,000</u>
Business type activities:					
Net pension liability	\$ 41,860	-	4,745	37,115	-
Total OPEB liability	31,844	-	15,849	15,995	-
Total	<u>\$ 73,704</u>	<u>-</u>	<u>20,594</u>	<u>53,110</u>	<u>-</u>

## General Obligation Bonds

Details of the District's June 30, 2020 general obligation bonded indebtedness are as follows:

Year Ending June	Bond Issue of June 24, 2013			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	1.60%	\$ 145,000	2,320	145,000	2,320	147,320
Total		\$ 145,000	2,320	145,000	2,320	147,320

On June 24, 2013, the District issued \$400,000 of general obligation school refunding bonds to currently refund bonds issued in fiscal year 2001. The bonds bear interest at rates ranging from 1.25% to 1.60% per annum. During the year ended June 30, 2020, principal and interest paid were \$150,000 and \$4,495, respectively.

### (7) **Operating Lease**

The District entered into a lease on January 31, 2017 to lease copier equipment for \$1,170 per month. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2020:

Year Ended June 30,	Amount
2021	\$ 14,040
2022	8,190
Total	\$ 22,230

During the fiscal year, payments made under these lease agreements were \$14,040.

### (8) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).

- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%

The District's contributions to IPERS for the year ended June 30, 2020 totaled \$228,257.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the District reported a liability of \$1,806,073 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was 0.0311894%, which was a decrease of 0.000460% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the District recognized pension expense of \$339,074. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,007	64,937
Changes of assumptions	193,457	-
Net difference between projected and actual earnings on IPERS' investments	-	203,523
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	35,605	32,576
District contributions subsequent to the measurement date	228,255	-
Total	<u>\$ 462,324</u>	<u>301,036</u>

\$228,255 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ 51,622
2022	(37,905)
2023	(34,320)
2024	(39,144)
2025	(7,220)
	<u>\$ (66,967)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global beta smart equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0 %	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 3,207,002	1,806,073	930,988

**IPERS' Fiduciary Net Position** - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to IPERS** - At June 30, 2020, the District reported payables to IPERS of \$0 for legally required District contributions and \$0 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

#### (9) Other Postemployment Benefits (OPEB)

**Plan Description** - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	40
	<hr/>
Total	41
	<hr/> <hr/>

Total OPEB Liability – The District's total OPEB liability of \$334,169 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled forward from the June 30, 2019 valuation date to the June 30, 2020 measurement date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2020)	2.50% per annum.
Discount rate (effective June 30, 2020)	2.45% per annum.
Healthcare cost trend rate (effective June 30, 2020)	6.40% initial rate decreasing over several decades to an ultimate rate of 4.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.45% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on Scale MP-2017, and other adjustments. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 574,795</u>
Changes for the year:	
Service cost	61,738
Interest	17,991
Differences between expected and actual experiences	(302,611)
Changes in assumptions	(5,769)
Benefit payments	<u>(11,975)</u>
Net changes	<u>(240,626)</u>
Total OPEB liability end of year	<u><u>\$ 334,169</u></u>

Changes of assumptions reflect a change in the discount rate from 3.13% in fiscal year 2019 to 2.45% in fiscal year 2020.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.45%) or 1% higher (3.45%) than the current discount rate.

	1% Decrease (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	\$ 355,759	334,169	313,707

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.40%) or 1% higher (7.40%) than the current healthcare cost trend rates.

	1% Decrease (5.40%)	Healthcare Cost Trend Rate (6.40%)	1% Increase (7.40%)
Total OPEB liability	\$ 302,971	334,169	369,927

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of (\$240,626). The District elected to use the Alternative Measurement Method (AMM) as allowed by GASB Statement No. 75 for entities with fewer than 100 active and inactive employees. Certain items such as the differences between expected and actual experience and changes in assumptions and other inputs are recognized in the current year when using the AMM and, therefore, there are no deferred outflows of resources or deferred inflows of resources related to OPEB.

## (10) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

### Workers' Compensation, Property, General Liability and Other Insurance

The District is a member of the Iowa Public School Insurance Program (IPSIP), a public entity risk pool formed in July of 2012 between certain Iowa school districts, created in accordance with Chapter 28E of the Code of Iowa. The purpose of IPSIP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections so as to effectively manage and contain costs for insurance coverage and related administration. IPSIP has 19 members as of July 1, 2019. IPSIP is governed by an eleven-member board of directors elected by the members of IPSIP. The District has no direct control over budgeting, financing, the governing body or management selection.

IPSIP is not intended to function as an insurance company for the participants; rather, it is a means of combining the administration of claims and of obtaining lower insurance rates through the creation of a self-insurance pool and through the purchase of commercial insurance. The District's participation in IPSIP represents a risk-sharing pool as defined by GASB Statement No. 10 in which the District pools its risks and funds with other members and shares in the cost of losses. The District is required to make annual payments, which are determined by IPSIP, based upon its direct proportion to the pro rata share of insurance costs for coverage administered by IPSIP. IPSIP may require the participating Districts to make supplemental payments if the funds on hand are insufficient to pay expenses of the administration of IPSIP. The District was not required to make any supplemental payments to IPSIP in fiscal year 2020. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2020 was \$92,532.



The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### Partial Self-funded Health Insurance

The District self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and District contributions and is administered by a third-party administrator. The District self-funds up to \$5,350 per individual or \$10,700 per family, with employees contributing the first \$1,000 to \$2,000, respectively. Total amount paid by the District for the year ended June 30, 2020, for the partial self-funded health insurance was \$20,507.

#### **(11) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$146,801 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **(12) Contingency**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

#### **(13) Categorical Funding**

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

<u>Program</u>	<u>Amount</u>
Talented and gifted	\$ 63,537
Droupout prevention	7,675
Teacher salary supplement	13,733
Market factor	814
Successful progression for early readers	11,269
Professional development supplement	52,715
Teacher leadership state aid	<u>26,996</u>
Total	<u>\$ 176,739</u>

#### **(14) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the District, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the District. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the District's operations and finances.

**(15) Subsequent Events**

The District has evaluated subsequent events through February 3, 2021, which is the date the financial statements were available to be issued.

**(16) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

## Required Supplementary Information

Melcher-Dallas Community School District

Budgetary Comparison Schedule of  
Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
						Original	Final	
Revenues:								
Local sources	\$ 1,714,695	64,206	1,778,901	-	1,778,901	1,834,315	1,834,315	(55,414)
State sources	3,095,795	1,959	3,097,754	-	3,097,754	3,586,543	3,586,543	(488,789)
Federal sources	118,948	83,593	202,541	-	202,541	414,500	414,500	(211,959)
Total revenues	4,929,438	149,758	5,079,196	-	5,079,196	5,835,358	5,835,358	(756,162)
Expenditures / Expenses:								
Instruction	2,934,743	-	2,934,743	-	2,934,743	3,446,500	3,446,500	511,757
Support services	1,173,440	-	1,173,440	-	1,173,440	1,258,150	1,345,388	171,948
Non-instructional programs	413	161,461	161,874	20,507	141,367	211,500	211,500	70,133
Other expenditures	405,721	-	405,721	-	405,721	645,688	645,688	239,967
Total expenditures/expenses	4,514,317	161,461	4,675,778	20,507	4,655,271	5,561,838	5,649,076	993,805
Excess (deficiency) of revenues over (under) expenditures/expenses	415,121	(11,703)	403,418	(20,507)	423,925	273,520	186,282	237,643
Other financing sources, net	7,829	(7,829)	-	-	-	342,070	342,070	(342,070)
Change in fund balance	422,950	(19,532)	403,418	(20,507)	423,925	615,590	528,352	(104,427)
Balances beginning of year	2,208,357	80,328	2,288,685	65,114	2,223,571	2,123,722	2,123,722	99,849
Balances end of year	\$ 2,631,307	60,796	2,692,103	44,607	2,647,496	2,739,312	2,652,074	(4,578)

See accompanying independent auditor's report.

Melcher-Dallas Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The Melcher-Dallas Community School District's (District) budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$87,238.

During the year ended June 30, 2020, expenditures did not exceed the amounts budgeted.

Melcher-Dallas Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Six Years\*  
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.031189%	0.031650%	0.031403%	0.030443%	0.029840%	0.030223%
District's proportionate share of the net pension liability	\$ 1,806	2,003	2,092	1,916	1,474	1,199
District's covered payroll	\$ 2,365	2,379	2,344	2,185	2,044	1,978
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.49%	84.20%	89.25%	87.69%	72.11%	60.62%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	81.82%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Melcher-Dallas Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 228	223	212	209	195	183	177	177	155	136
Contributions in relation to the statutorily required contribution	(228)	(223)	(212)	(209)	(195)	(183)	(177)	(177)	(155)	(136)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 2,418	2,365	2,379	2,344	2,185	2,044	1,978	2,042	1,921	1,957
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

Melcher-Dallas Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.



Melcher-Dallas Community School District

Schedule of Changes in the District's  
Total OPEB Liability, Related Ratios and Notes

For the Last Three Years  
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 61,738	60,232	57,700
Interest cost	17,991	14,635	14,573
Difference between expected and actual experiences	(302,611)	-	-
Changes in assumptions	(5,769)	38,359	(1,243)
Benefit payments	(11,975)	(6,012)	(6,012)
Net change in total OPEB liability	(240,626)	107,214	65,018
Total OPEB liability beginning of year	574,795	467,581	402,563
Total OPEB liability end of year	<u>\$ 334,169</u>	<u>574,795</u>	<u>467,581</u>
Covered employee payroll	\$ 1,333,038	1,271,904	1,376,438
Total OPEB liability as a percentage of covered-employee payroll	25.10%	45.19%	33.97%

See accompanying Independent Auditor's Report.

**Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	2.45%
Year ended June 30, 2019	3.13%
Year ended June 30, 2018	3.62%
Year ended June 30, 2017	3.56%

## Supplementary Information

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue			
	Student Activity	Management Levy	Debt Service	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 52,046	195,440	933	248,419
Receivables:				
Property tax:				
Delinquent	-	3,053	3,373	6,426
Succeeding year	-	150,000	147,820	297,820
Accounts	2,448	-	-	2,448
<b>Total assets</b>	<b>\$ 54,494</b>	<b>348,493</b>	<b>152,126</b>	<b>555,113</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 6,386	-	-	6,386
Total liabilities	6,386	-	-	6,386
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	150,000	147,820	297,820
Total deferred inflows of resources	-	150,000	147,820	297,820
Fund balances:				
Restricted for:				
Debt service	-	-	4,306	4,306
Management levy purposes	-	198,493	-	198,493
Student activities	48,108	-	-	48,108
Total fund balances	48,108	198,493	4,306	250,907
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 54,494</b>	<b>348,493</b>	<b>152,126</b>	<b>555,113</b>

See accompanying independent auditor's report.

## Melcher-Dallas Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2020

	Special Revenue			Total
	Student Activity	Management Levy	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ -	138,304	152,820	291,124
Other	81,968	433	147	82,548
State sources	-	329	364	693
Total revenues	81,968	139,066	153,331	374,365
Expenditures:				
Current:				
Instruction:				
Regular	-	9,503	-	9,503
Special	-	2,696	-	2,696
Other	73,592	3,386	-	76,978
Support services:				
Student	-	527	-	527
Instructional staff	-	924	-	924
Administration	-	2,231	-	2,231
Operation and maintenance of plant	-	60,643	-	60,643
Transportation	-	12,272	-	12,272
Non-instructional programs	-	413	-	413
Other expenditures:				
Long-term debt:				
Principal	-	-	150,000	150,000
Interest and fiscal charges	-	-	4,495	4,495
Total expenditures	73,592	92,595	154,495	320,682
Change in fund balances	8,376	46,471	(1,164)	53,683
Fund balances beginning of year	39,732	152,022	5,470	197,224
Fund balances end of year	\$ 48,108	198,493	4,306	250,907

See accompanying independent auditor's report.

## Melcher-Dallas Community School District

Schedule 3

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2020

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Unreserved	\$ 346	153	-	-	499
Speech Club	-	600	531	-	69
High School Athletics	2,573	35,606	35,345	-	2,834
Wrestling	73	-	-	-	73
Music	94	9,432	221	(2,478)	6,827
Cross Country	184	100	90	-	194
Box Tops	2,660	282	2,942	-	-
Cheerleaders	1,024	630	-	-	1,654
FBLA	5,776	4,731	4,573	-	5,934
Yearbook	1,003	335	3,816	2,478	-
FCCLA	3,218	-	84	-	3,134
FFA	2,665	15,106	16,219	-	1,552
Student Council	8,287	7,277	6,210	-	9,354
Drill Team	2,820	630	557	-	2,893
Thespian Club	-	2,353	1,174	-	1,179
Elementary Student Government	4,191	105	498	-	3,798
Science Club	1,685	-	-	-	1,685
Art Club	282	-	-	-	282
Class of 19	9	-	-	-	9
Class of 20	2,133	825	108	-	2,850
Class of 21	-	3,768	1,224	-	2,544
Class of 22	-	20	-	-	20
Class of 25	-	15	-	-	15
Entrepreneurship	709	-	-	-	709
Total	\$ 39,732	81,968	73,592	-	48,108

See accompanying independent auditor's report.

## Melcher-Dallas Community School District

## Schedule 4

Combining Balance Sheet  
Capital Projects Fund Accounts

June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
and cash equivalents	\$ 779,890	67,402	847,292
ables:			
roperty tax:			
Delinquent	-	561	561
Succeeding year	-	28,650	28,650
from other governments	30,123	-	30,123
<b>Total assets</b>	<b>\$ 810,013</b>	<b>96,613</b>	<b>906,626</b>
<b>Deferred Inflows of Resources and Fund Balances</b>			
ferred inflows of resources:			
available revenues:			
Succeeding year property tax	\$ -	28,650	28,650
Total deferred inflows of resources	-	28,650	28,650
balances:			
stricted for:			
School infrastructure	810,013	-	810,013
Physical plant and equipment	-	67,963	67,963
Total fund balances	810,013	67,963	877,976
<b>Total deferred inflows of resources and fund balances</b>	<b>\$ 810,013</b>	<b>96,613</b>	<b>906,626</b>

accompanying independent auditor's report.

Melcher-Dallas Community School District

Schedule 5

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

Capital Projects Fund Accounts

Year ended June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	25,418	25,418
Other	2,592	190	2,782
State sources	357,230	61	357,291
Total revenues	359,822	25,669	385,491
Expenditures:			
Instruction:			
Regular	29,213	-	29,213
Support services:			
Administration	69,082	5,747	74,829
Operation and maintenance of plant	11,975	-	11,975
Transportation	40,694	2,606	43,300
Other expenditures:			
Facilities acquisition	80,250	24,175	104,425
Total expenditures	231,214	32,528	263,742
Change in fund balances	128,608	(6,859)	121,749
Fund balances beginning of year	681,405	74,822	756,227
Fund balances end of year	\$ 810,013	67,963	877,976

See accompanying independent auditor's report.

Melcher-Dallas Community School District

Schedule 6

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Local sources:										
Local tax	\$ 1,315,252	1,441,882	1,316,011	1,313,505	1,283,457	1,232,544	1,265,826	1,412,690	1,487,948	1,429,557
Tuition	268,752	343,369	278,720	216,454	257,200	225,292	196,821	133,065	127,542	107,201
Other	130,691	117,072	151,056	130,285	246,498	98,241	223,622	150,387	127,883	167,840
Intermediate sources	-	-	-	-	20	10,756	3,000	-	2,765	-
State sources	3,095,795	2,790,774	2,952,786	2,758,865	2,699,081	2,422,117	2,441,471	1,808,707	1,939,550	1,995,950
Federal sources	118,948	197,918	166,475	153,029	153,638	84,913	97,580	130,091	78,523	237,495
Total	\$ 4,929,438	4,891,015	4,865,048	4,572,138	4,639,894	4,073,863	4,228,320	3,634,940	3,764,211	3,938,043
Expenditures:										
Instruction:										
Regular	\$ 1,803,485	1,841,749	1,733,881	1,860,493	1,708,128	1,616,067	1,390,522	1,607,049	1,569,997	1,392,914
Special	525,265	499,765	494,417	470,985	499,488	447,356	542,320	483,322	398,225	524,352
Other	605,993	601,443	629,753	585,744	572,594	559,413	499,798	464,576	463,756	469,220
Support services:										
Student	80,717	65,729	52,844	50,908	52,394	80,629	77,959	84,667	66,605	37,383
Instructional staff	142,462	156,967	137,584	143,416	49,667	43,298	70,674	75,571	70,623	63,721
Administration	491,400	533,125	463,340	471,269	555,846	445,722	579,041	513,071	471,032	464,828
Operation and maintenance of plant	274,682	260,608	254,033	236,904	271,335	269,874	261,366	301,010	254,779	249,382
Transportation	184,179	228,167	143,318	137,474	225,231	222,848	246,960	222,908	160,860	246,756
Non-instructional programs	413	336	408	12,649	23,173	10,058	11,283	187	248	355
Other expenditures:										
Facilities acquisition	104,425	63,950	97,680	137,287	127,581	51,058	171,930	97,246	6,410	1,126
Long-term debt:										
Principal	150,000	140,000	135,000	135,000	130,000	125,000	125,000	110,000	110,000	105,000
Interest and other charges	4,495	10,732	15,572	20,377	24,981	29,626	33,429	64,363	55,884	59,986
AEA flowthrough	146,801	139,947	140,821	133,413	134,716	132,223	130,602	122,660	123,248	141,596
Total	\$ 4,514,317	4,542,518	4,298,651	4,395,919	4,375,134	4,033,172	4,140,884	4,146,630	3,751,667	3,756,619

See accompanying independent auditor's report.





# FALLER, KINCHELOE & CO, PLC

## Certified Public Accountants

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Melcher-Dallas Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Melcher-Dallas Community School District (District) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items I-A-20, I-B-20, I-D-20 and I-E-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item I-C-20 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC

February 3, 2021

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2020

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-20 Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of Melcher-Dallas Community School District (District) financial statements.

Condition – Generally, one or two individuals has control over each of the following areas for which minimal or no compensating controls exist:

- (1) Petty cash – custody, replenishment, and reconciling the disbursements to the reimbursements;
- (2) Disbursements – making certain purchases, receiving certain goods and services, presenting proposed disbursements to the Board for approval, maintaining supporting documentation, preparing, signing, and distributing checks, and posting to the accounting records;
- (3) Payroll – calculating payroll amounts, preparing, signing, and distributing checks, and posting payments to the accounting records;
- (4) Bank accounts – receiving and reconciling monthly bank statements to accounting records; and

Cause – The District has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The District should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The District will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

**I-B-20 Preparation of Full Disclosure Financial Statements**

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2020

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the District. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that District officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with generally accepted accounting principles.

Conclusion - Response acknowledged.

I-C-20 Fixed Assets

Criteria - The District controls over fixed asset accountability are in need of improvement.

Condition - Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Cause - District policies do not require and procedures have not been established to ensure verification of fixed assets, and that a perpetual record of fixed assets is maintained.

Effect - Lack of performing a physical verification of fixed assets and maintaining a perpetual record of fixed assets could result in undetected errors or unauthorized activity.

Recommendation - To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

Response - We will review this situation.

Conclusion - Response acknowledged.

I-D-20 Student Activity Fund

Criteria - An effective internal control provides that all activity fund receipts are accounted for properly.

Condition - For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2020

Cause - District policies do not require and procedures have not been established to ensure there are procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Effect – Lack of a fundraiser reconciliation could result in undetected errors and unauthorized activity.

Recommendation – The District should implement procedures for fundraisers which documents the reconciliation of actual monies collected to the amount of money that should have been collected based on quantity of merchandise purchased for resale or gross profit percentages.

Response – We will review this area.

Conclusion – Response acknowledged.

I-E-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition – Material adjustments were made to assets, liabilities, revenues and expenditures balances and accounts as of June 30, 2020 and for the fiscal year ended June 30, 2020.

Cause – District policies do not require and procedures have not been established to provide for an independent review of the financial statements and transactions to ensure these amounts are materially accurate.

Effect – Lack of District policies and procedures resulted in personnel not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the District's financial statements were necessary.

Recommendation – The District should establish procedures to ensure all transactions are properly recorded and reported in the District's financial statements.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2020

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-20 Certified Budget – Expenditures during the year ended June 30, 2020 did not exceed the amount budgeted.
- II-B-20 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-20 Travel Expense - No expenditures of Melcher-Dallas Community School District (District) money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-20 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-20 Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-20 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-G-20 Board Minutes – No transactions were found that we believe should have been approved in the District minutes but were not.

However, an instance was noted where the board minutes and the related schedule of bills were not timely published. Chapter 279.35 of the Code of Iowa requires that all board minutes be published within two weeks of the board meeting, and that the schedule of bills allowed be published as required by the above Code section.

Recommendation – We recommend that the Board meeting minutes and the related schedule of bills allowed be published within two weeks of the Board meeting as required per the Code of Iowa.

Response – This was during the time of COVID-19. At that time, our county newspaper closed and we had to publish these minutes and claims in another newspaper. This was the reason why we did not publish timely in accordance with the Code of Iowa requirements.

Conclusion – Response acknowledged.

- II-H-20 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-20 Supplementary Weighting – Supplementary weighting certified to the Iowa Department of Education was overstated by .008 students.

Recommendation – The District should contact the Iowa Department of Education and Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Iowa Department of Management.

Conclusion – Response acknowledged.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2020

- II-J-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except that the depository resolution amount was exceeded at times during the fiscal year. Chapter 12C.2 requires that, by resolution, the District specify the maximum amount which may be kept on deposit in each depository.

Recommendation – The District should implement procedures to ensure compliance with Chapter 12C.2 of the Code of Iowa in relation to depository resolutions.

Response – We will implement this recommendation,

Conclusion – Response acknowledged.

- II-K-20 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

- II-L-20 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

- II-M-20 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenues. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2020 audit:

Beginning balance		\$ 681,405	
Revenues:			
Statewide sales, services and use tax	\$ 357,230		
Other local revenues	2,592	359,822	
		<u>1,041,227</u>	
Expenditures/transfers out:			
School infrastructure construction	75,286		
Equipment	149,149		
Other	6,779	231,214	
		<u>231,214</u>	
Ending balance			\$ 810,013

For the year ended June 30, 2020, the District did not reduce any levies as a result of moneys received under Chapter 423E and 423F of the Code of Iowa.

- II-N-20 Financial Condition – The Special Revenue, Management Levy Fund had a fund balance of \$198,493 at June 30, 2020. Total expenditures from this fund in fiscal year 2020 were \$92,595. As a result, the fund balance in this fund may be excessive. The Capital Projects Fund had a fund balance of \$877,976 at June 30, 2020. Total expenditures from this fund in fiscal year 2020 were \$263,742. As a result, the fund balance in this fund may be excessive.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2020

As noted on the Statement of Net Position, the Governmental Activities and Business Type Activities had a deficit unrestricted net position of \$493,401 and \$809, respectively, at June 30, 2020.

Recommendation – The District should ensure the balance in the Special Revenue, Management Levy Fund and Capital Projects Fund is reasonable. The District should also continue to investigate alternatives to eliminate the deficits in the Governmental Activities and Business Type Activities in order to return these funds to a sound financial condition.

Response – We will review the Special Revenue, Management Levy Fund and Capital Projects Fund for reasonableness. The District will try to decrease expenditures and increase revenues so that the Governmental Activities and Business Type Activities will not show deficit balances at year-end.

Conclusion – Response acknowledged.

- II-O-20 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. For part of the fiscal year, the District did not receive an image of the back of each cancelled check.

Recommendation – The District should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.